

December 2, 2002

DOCKET NO.
02-01040

ORDER APPROVING TRANSFER OF AUTHORITY

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority,

to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Petition

In the *Petition*, which was filed on September 19, 2002, the Petitioners request Authority approval of a transfer of control of GCL's Tennessee operating subsidiaries from GCL to New GX. The *Petition* states that this request is in furtherance of a proposed transaction intended to facilitate the reorganization of GCL and its Tennessee operating subsidiaries under Chapter 11 of the United States Bankruptcy Code and Bermuda insolvency law.

The *Petition* states that GCL's assets and operations, including its ownership interests in the Tennessee operating subsidiaries, will be transferred indirectly to New GX. Hutchison Telecommunications Limited ("Hutchison Telecom") and Singapore Technologies Telemedia Pte Ltd ("ST Telemedia") each will invest \$125 million in New GX; in exchange, each will obtain 30.75% of New GX's equity and voting power. Creditors of GCL and its debtor subsidiaries will obtain 38.5% of New GX's equity and voting power. New GX also intends to issue \$200 million in senior secured notes and \$300 million in cash to those creditors. The notes are to be secured by the assets of various GCL subsidiaries, including its Tennessee operating subsidiaries. Upon consummation of the proposed transaction, GCL will relinquish all of its equity and voting power in New GX. New GX will become the new ultimate parent of GCL's Tennessee operating subsidiaries.

According to the *Petition*, the terms of the proposed transaction have been agreed upon by GCL, Hutchison Telecom, and ST Telemedia. Further, the United States Bankruptcy Court for the Southern District of New York and the Supreme Court of Bermuda have authorized GCL to enter into the proposed transaction.

The *Petition* states that GCL is a global telecommunications company organized under the laws of Bermuda. In the United States, GCL's operating subsidiaries, including its Tennessee operating subsidiaries, provide intrastate, interstate, and international services. On January 28, 2002, GCL and certain of its subsidiaries, including the Tennessee operating subsidiaries, filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code.

According to the *Petition*, New GX is a newly-formed company organized under the laws of Bermuda for the purpose of carrying out the proposed transaction. Currently, GCL is the sole shareholder of New GX. GCL's Tennessee operating subsidiaries are Budget Call Long Distance, Inc. (Debtor-in-Possession) ("Budget Call"), Global Crossing Local Services, Inc. (Debtor-in-Possession) ("GCLS"), Global Crossing North American Networks, Inc. (Debtor-in-Possession) ("GCNAN"), Global Crossing Telecommunications, Inc. (Debtor-in-Possession) ("GCTP"), and Global Crossing Telemanagement, Inc. (Debtor-in-Possession) ("GC Telemanagement").

Budget Call is a Delaware corporation with its principal office in Pittsford, New York. An indirect wholly-owned subsidiary of GCL, Budget Call was authorized to provide resold interexchange services in Tennessee by Order dated August 2, 1995 in Tennessee Public Service Commission ("TPSC") Case No. 95-02731.

GCLS, formerly known as Frontier Local Services, Inc., is a Michigan corporation with its principal office in Pittsford, New York. An indirect wholly-owned subsidiary of GCL, GCLS has authority to provide telecommunications services in twenty-six (26) states, including

Tennessee. GCLS was authorized to provide facilities-based competitive local exchange services in Tennessee by Order dated November 18, 1999 in TRA Docket No. 99-00120.

GCNAN is a Delaware corporation with its principal office in Pittsford, New York. An indirect wholly-owned subsidiary of GCL, GCNAN has authority to provide telecommunications services in all fifty (50) states, including Tennessee. GCNAN was authorized to provide facilities-based intrastate interexchange services in Tennessee by Order dated August 23, 1995 in TPSC Case No. 95-02845.

GCTI is a Wisconsin corporation with its principal office in Pittsford, New York. An indirect wholly-owned subsidiary of GCL, GCTI has authority to provide telecommunications services in all fifty (50) states, including Tennessee. GCTI was authorized to provide resold intrastate interexchange services by in Tennessee by Order dated September 25, 1985 in TPSC Docket No. U-84-7325.

GC Telemanagement is a Delaware corporation with its principal office in Green Bay, Wisconsin. An indirect wholly-owned subsidiary of GCL, GC Telemanagement has authority to provide telecommunications services in thirty-six (36) states and the District of Columbia. GC Telemanagement was authorized to provide resold competitive local exchange services in Tennessee by Order dated April 21, 1998 in TRA Docket No. 97-07531.

According to the *Petition*, Hutchison Telecom is a Hong Kong company that holds worldwide telecommunications interests through a variety of operating subsidiaries. Those interests include mobile telephone and paging operators in various countries in Asia, Africa, Europe, and South America, as well as a fixed line and international direct dialing operator in Hong Kong. Hutchison Telecom is indirectly wholly owned by Hutchison Whampoa Limited, a diversified Hong Kong holding company. ST Telemedia is a Singapore telecommunications and information technologies company. Through its subsidiaries, ST Telemedia provides fixed and

mobile telecommunications, data, and Internet services, telephone equipment distribution, managed hosting, teleport, broadband cable and video, and e-business software development services in Singapore.

Public Interest Considerations

According to the *Petition*, the proposed transaction is in the public interest because it will enhance competition in Tennessee by strengthening the financial and competitive position of GCL's Tennessee operating subsidiaries by enabling them to emerge from their current status in bankruptcy as stronger and more viable competitors. Moreover, the proposed transaction is not expected to affect the day-to-day operations of GCL's Tennessee operating subsidiaries and will be transparent to their customers in Tennessee. Finally, the proposed transaction will not negatively affect competition in the Tennessee telecommunications market.

Findings

The Authority considered this matter at the October 7, 2002 Authority Conference. Based upon careful consideration of the *Petition* and of the entire record of this matter, the Authority finds and concludes as follows:


1. The Authority has jurisdiction over the subject matter of this *Petition* pursuant to Tenn. Code Ann. § 65-4-113;
2. The Tennessee operating subsidiaries of Global Crossing Ltd. (Debtor-in-Possession), namely Budget Call Long Distance, Inc. (Debtor-in-Possession), Global Crossing Local Services, Inc. (Debtor-in-Possession), Global Crossing North American Networks, Inc. (Debtor-in-Possession), Global Crossing Telecommunications, Inc. (Debtor-in-Possession), and Global Crossing Telemanagement, Inc. (Debtor-in-Possession), have been granted authority to provide telecommunications services in Tennessee;

3. Global Crossing Ltd.'s assets and operations, including its ownership in its Tennessee operating subsidiaries, will be transferred indirectly to GC Acquisition Limited, resulting in a transfer of the authority to provide utility services that has been granted Global Crossing Ltd.'s Tennessee operating subsidiaries; and


4. The transfer of authority will benefit the consuming public.

IT IS THEREFORE ORDERED THAT:

The *Petition* of Global Crossing Ltd. and GC Acquisition Limited for approval of the transfer of authority described herein is approved.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Pat Miller, Director